

# MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## DIVISION OF CREDIT UNIONS

### NEWSLETTER

Volume 5, Number 1      January 16, 2003

#### CONDITION OF CREDIT UNIONS

Comparison of CAMEL ratings may be of use to determine if trends are emerging. Changes in examination programs or procedures may also create shifts in ratings. For these reasons CAMEL ratings are monitored by the Division of Credit Unions and are reported here for your information. As of January 1, 2003, disclosure of the CAMEL rating will be at the discretion of the examiner or request by the credit union.

CAMEL CODE	January 1, 2002		January 1, 2003	
Code 1	1	0.6%	4	2.4%
Code 2	119	71.3%	103	62.1%
Code 3	50	25.7%	53	31.9%
Code 4	4	2.3%	6	3.6%
Total Number of Credit Union	174		166	

#### CALL REPORT INFORMATION

##### 12/31/02 Call Reports

Each credit union should have received the 12/31/02 call report packet. Please note that call reports are due to your examiner no later than January 22, 2003.

Call report software is also available at the Division of Credit Unions' web site  
<http://www.ecodev.state.mo.us/cu/> or NCUA's web site  
<http://www.ncua.gov/data/5300/5300.html>.

#### Two changes occurred with this cycle regarding transmittal of the information.

##### 1. Mail Labels

Two address labels with your examiner's information were included with each call report. During the recent survey meetings, credit union participants commented that the legal size envelope normally included with the call report was not large enough to hold the required forms. Hence, with this cycle, the Division included the mail labels to be used on envelopes deemed appropriate by the individual credit union. The labels should provide credit unions the option of using whatever size envelope is necessary.

##### 2. Required Information

In the past, two copies of the call report data plus two copies of the financial statement were required. To

simplify the call report process, the required information has been reduced. For call report cycles beginning 12/31/02, only one copy of the financial statement and one copy of the call report are requested. Both of these documents should be sent to the examiner listed on the mail label included with the call report packet.

September 2002 Missouri State Chartered Credit Union Consolidated Call Report data and national Federal Insured Credit Unions Consolidated Call Report data is available at the Division of Credit Union's web site in both Excel and PDF formats.

#### CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on January 15, 2003 in Jefferson City, Missouri. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Pat Macdonald, Lori Levine and John Hanneke. Others attending were Gary Hinrichs, West Community Credit Union (WCCU), Susan Kuhl and Kathie Petrie, Metro Credit Union, Robin Blatt, Sharon Hudson and Glenn Barks, First Community Credit Union, Peggy Nalls, Missouri Credit Union Association (MCUA) Jim Deutsch, attorney representing MCUA, Jack Pletz, attorney representing the Missouri Bankers Association (MBA), Todd Jones, and Mike Wambolt, Attorney General's Office; Becky Kilpatrick, Attorney, Department of Economic Development, Debbie Davis, and John P. Smith, Division of Credit Unions.

The Commission approved the minutes of the October 31, 2002 and November 20, 2002 meetings.

After extensive discussion, the Commission did not act on the appeal of the Director's decision approving the field of membership expansion of **First Community Credit Union**.

The Commission reviewed the field-of-membership expansion application submitted by **West Community Credit Union** and **Metro Credit Union**. More than 3,000 potential members exist within the groups. The Commission found the groups met the criteria for an exemption from the limitations on groups in 4 CSR 105-3.040.

The Commission received several reports:

- ✓ Appeals of the Director's decisions for six credit union field of membership expansions,
- ✓ Condition report of Missouri chartered credit unions,

- ✓ State and federal legislative update and
- ✓ Field of membership growth information
- ✓ Proposed transfer of the Division of Credit Unions to the Department of Insurance

The Commission's next regular meeting is scheduled for May 7, 2003 in Jefferson City. Commission meetings are open to the public but portions may be closed as provided by the Missouri Sunshine Law.

## FIELD OF MEMBERSHIP APPLICATION UPDATE

**Springfield Telephone Employees Credit Union** (now **Telcomm Credit Union**) submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court. On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The motion to refer the case to another division of the court was granted and the case was referred to Judge Byron Kinder, Division 2. A motion to dismiss the case for lack of standing was heard on January 3, 2002. On January 29, 2002 the court ruled the plaintiffs lack standing to maintain causes of action set forth in their petition and ordered the plaintiffs' petition be dismissed. On March 11, 2002 the MBA and CBO filed an appeal of the decision in the Western Appellate Court of Appeals. Appellant's briefs were due June 3, 2002 with the respondent's briefs due July 3, 2002. A hearing by the Western Appellate Court was held on October 3, 2003 in Kansas City. On January 14, 2003, the Appellate Court upheld the decision of Cole County Circuit Court.

**South Community Credit Union** submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the MBA and two local banks located in each of the two applicants' field of membership expansion areas filed

appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001, the Commission upheld the decisions of the Director. The written decisions were released on January 25, 2002. On February 21, 2002, the MBA and the local banks filed a petition for administrative review in Cole County Circuit Court. Both cases were assigned to Judge Tom Brown, Division 1. On April 17 the cases were reassigned to Judge Byron L. Kinder, Division 2 and a motion was entered to stay the proceedings until the outcome of the Springfield Telephone Employees case was decided. The cases can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; the case numbers are 02CV323402 and 02CV323401.

**Educational Employees Credit Union** (now **Vantage Credit Union**) submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and two banks located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. On March 5, 2002, the Commission dismissed the appeal due to lack of standing. On July 18, 2002 the MBA and the two banks filed a Petition in Mandamus in Cole County Circuit Court. An order by Cole County District Court staying the case was entered on December 2, 2002. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 02CV324797.

**City Utilities Credit Union** submitted an application for community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and his decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the MBA and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On August 8, 2002 the Commission heard and denied the appeal for lack of standing. The decision was released on December 9, 2002. On January 2, 2003, MBA and the local bank filed a Petition in Mandamus in Cole County Circuit Court. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 03CV323001.

**First Community Credit Union** submitted an application for individuals who reside or work in the counties of Lincoln, Warren, Franklin, Washington, St. Francois, Ste. Genevieve, Pike, Montgomery, Gasconade and Crawford in the state of Missouri and the City of St. Louis. The application was published in the August 1, 2002 Missouri Register. The Director approved the

application and his decision was published in the September 16, 2002 Missouri Register. On September 26, 2002 the MBA and a local bank located within the field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission at their October 31, 2002 meeting established the briefing schedule for the appeal. The Commission considered the appeal at their January 15, 2003 meeting heard but took no action.

**Alliance Credit Union** submitted an application for those who work or reside in St. Charles County or St. Louis County. The application was published in the November 15, 2002 Missouri Register. The Director approved the application and his decision will be published in the January 16, 2003 Missouri Register. A fifteen calendar day period for appeal must occur before the decision is final.

**St. Louis Postal Credit Union** submitted an application for those who live or work in the Zip Codes 63005, 63017, 63042, 63043, 63044, 63126, 63127 and St. Charles County. The application was published in the December 2, 2002 Missouri Register. The director approved the application and his decision will be published in the January 16, 2003 Missouri Register. A fifteen calendar period for appeal must occur before the decision is final.

**United Community Credit Union**, an Illinois chartered credit union, submitted an application for those who live or work in the Missouri counties of Lewis, Ralls and Marion. The application was published in the January 2, 2003 Missouri Register. A ten business day period for comments must occur before a decision can be made.

## HOT TOPICS

*These topics are on the Division of Credit Unions' web site under "What's New" and are reproduced here for credit unions without internet access.*

### Indirect Lending - Late Fees

Credit unions providing indirect vehicle loans need to be aware of the late fee provisions disclosed in the sales contract. Since individual dealerships use various sales contracts, late fees disclosed may vary.

Late fees disclosed on indirect lending contracts might differ from those reported on credit union promissory notes. Consequently, management must determine that members are assessed late fees as stated. Be sure you are taking the following steps:

- ✓ Ensure that the late fees disclosed are permissible in Missouri. Missouri statutes may not have been the reference for an individual dealer's paper.
- ✓ Ensure that the loans are appropriately coded in the credit union's data processing system if various late fees are to be assessed.

- ✓ If members have been charged late fees in excess of the disclosed amount or in excess of Missouri limitations, be sure to reimburse the member.

### Defined Benefit Plans

Recently, annual audits by certified public accountants have noted the under-funding of defined benefit retirement plans within the credit union industry. If you have a defined benefit plan for any or all of your employees, please be sure that your outside auditors determine that the plan is adequately funded.

### Bank Secrecy Act

One 'sign of the times' is the increased emphasis on the provisions of the Bank Secrecy Act. This regulation requires financial institutions to file certain currency and monetary instrument reports, which provide a paper trail of money laundering activities.

There are four basic steps to follow in developing your program:

- ✓ Develop a system of internal controls to ensure ongoing compliance.
- ✓ Ensure testing for compliance by the credit union or by an outside party.
- ✓ Identify an individual who is responsible for monitoring day-to-day compliance.
- ✓ Ensure the training of appropriate employees.

Attached is the questionnaire used by examiners to review compliance with the Bank Secrecy Act. Feel free to use this as a guideline in developing your program.

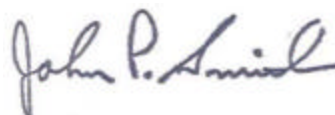
## FROM THE DIRECTOR

### Personnel changes

Farewell to Lisa Henningsen, Examiner Specialist who has accepted a position with First Community Credit Union as an auditor.

Congratulations to Janice Robinson who was appointed to the position of examiner specialist. Janice has been with the Division of Credit Unions since October 1987.

We are recruiting to fill an Assistant Financial Examiner I position in the St. Louis area. Examiners are provided and extensive training program. If you are interested in applying, contact the Division of Credit Unions in Jefferson City.



**John P. Smith, Director**